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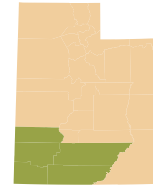
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An economic and labor market analysis of the Southwest Utah Area

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Education Still Pays in Southwestern Utah



But Some Industries Pay a Higher Premium for a College Degree

BY LECIA PARKS LANGSTON, ECONOMIST

Data from the U.S. Census Bureau's Local Employment Dynamics (LED) program provides a wealth of previously unavailable data at a local level. This series continues to refine and expand its statistical offerings. Recently, worker education joined the LED data arsenal.

Statistically, higher wages are associated with higher levels of education. (Incidentally, unemployment rates show an inverse relationship—the higher the educational level, the lower the jobless rate.) However, does this pay-for-education association hold true across all industries in southwestern Utah? And, does the rule hold

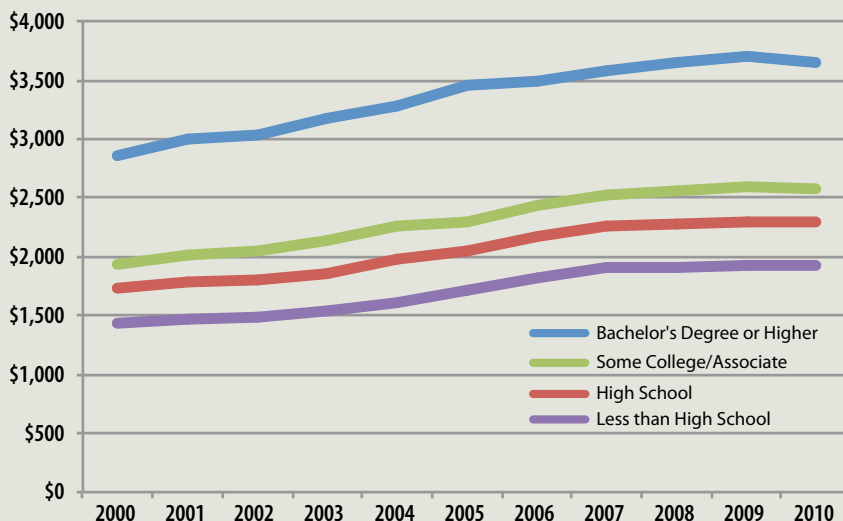
true across gender lines? The freshly-released LED data series provides the answer.

This data covers employment and wages for Beaver, Garfield, Iron, Kane and Washington counties. Obviously based on sheer size, Washington County dominates the totals. Also, keep in mind that the data reflects the educational levels of only those workers over the age of 25. Also, the wages are monthly averages, as the data does not distinguish between full- and part-time workers or provide hourly figures. These figures represent the educational level of the person, not the education typically required by the job. (For example, someone with a Ph.D. could possibly be working as a fry cook.)

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Graph 1: Average Monthly Wage by Worker Education*



The Big Picture

In southwestern Utah, education pays as displayed in Graph 1. While increasing one's education at any level produces a statistical rise in wages, getting at least a bachelor's degree brings the biggest wage premium. For example, in 2010 the average southwest Utah worker with some college or an associate degree made \$280 more per month than the one who had just graduated from high school. The high school graduate made \$350 more than the dropout. However, the worker with a bachelor's degree or higher made almost \$1,100 more than their some-college counterparts. These relationships have remained fairly constant over time.

* Workers 25 and older only.

Source: U.S. Census Bureau; Local Employment Dynamics program.

Department of Workforce Services





Education Still Pays in Southwestern Utah Cont.

The College Degree Premium

On the surface, the wage premium paid to workers with at least a bachelor's degree in southwestern Utah has grown during the last decade. In 2000, the difference in average monthly wages for a high school graduate and a college graduate was roughly \$1,100 compared to almost \$1,400 in 2010. However, adjusting for inflation shows that the bachelor's-degree wage premium actually decreased slightly between 2005 and 2010. This pattern seems to run counter to national data that shows the premium increasing in recent years.

The bachelor's degree premium varies not only by industry but by area. Graph 2 displays the percentage difference for the most recent five years of data, 2006–2010, between workers with a bachelor's degree, high school graduates, and workers with some college. Using this range of years helps blunt the effect of boom to bust to recovery and levels out any anomalies. While industries show different rates of bachelor's-degree wage premiums, all industries do pay degreed workers (at least a bachelor's) more than non-degreed workers.

The Value of Education

In southwestern Utah, a college-educated worker is likely to receive the highest wage premium in the management industry. This industry category includes businesses that administer, oversee, manage and normally undertake the strategic or organizational planning and decision-making role of the company or enterprise. In southwestern Utah, this is a relatively small industry, covering less than 20 firms. It makes sense that this particular industry shows such a high difference between bachelor's-degreed individuals and others. Degreed workers are paid 133 percent more than a high school graduate. High-paid, top-level

company managers are often located at these particular worksites.

Healthcare/social assistance is another industry in which a worker with at least a bachelor's degree receives more than double (120 percent) the wage of a high school graduate. All healthcare jobs are not high-paying. There is a huge difference between the wage of a physician and an orderly. This industry also includes many employees at residential teen homes who tend to earn lower wages.

Finance/insurance, professional/scientific/technical services and educational services (includes colleges and public education) also have above-average bachelor's degree wage premiums.

In some industries, a college degree means only a little more pay. In construction and accommodations/food services, a degree generates less than a 20 percent increase in wages. Goods-producing industries tend to show lower wage premiums for workers with a degree. Manufacturing, covered agriculture/forestry/fishing, mining and construction exhibit the same trend with degree premiums below 40 percent. These industries often pay typical workers compensating wage differentials for difficult and strenuous working conditions or odd-hour shifts.

On the other hand, regular workers in the accommodation and food services industry don't make above-average wages. In fact, this industry shows the lowest average monthly earnings of any major industry. This is due in part to relatively low wages and many part-time jobs. It also ranks as the lowest-paying industry for those with at least a bachelor's degree. In this industry, it appears that wages are just low regardless of educational attainment.

Following the laws of supply and demand, the accommodations/food service industry

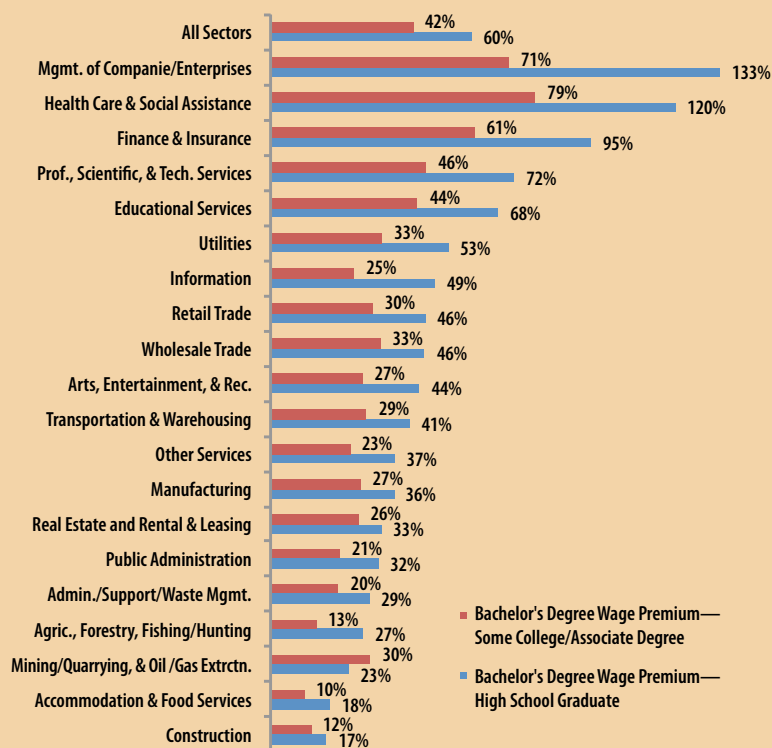
paid its highest wages (even without adjusting for inflation) in 2004—a very tight year for the labor market. While wages for workers with a high school education have increased steadily over the last several years, wages for those with degrees remained relatively flat. As a result of these trends, the educational wage gap in this industry has closed quite steadily over the past eight years. In 2002, degreed workers in accommodations and food services earned 38 percent more than high school graduates. By 2010, college-educated workers earned only 13 percent of their high school-educated counterparts. The dearth of jobs in recent years may have meant that workers with degrees were willing to accept jobs at lower wages in order to find employment.

The Gender Divide

The relationship between wages, educational attainment and gender can also be explored using LED data. Graph 3 shows that for the last half of the decade men with a high school education received a higher average wage than did women with at least a bachelor's degree. These women made only 58 percent of what their male counterparts made. Demographic factors at least partially account for this decided difference in wages:

- Women typically work fewer hours than men. They are much more likely to work part-time. For example, in Washington County during 2010, 30 percent of women workers were employed 34 hours or less per week compared to only 12 percent of men. We don't have sufficient information to adjust these monthly LED wage figures for hours worked.
- Female-dominated occupations typically pay less than male-dominated occupations.

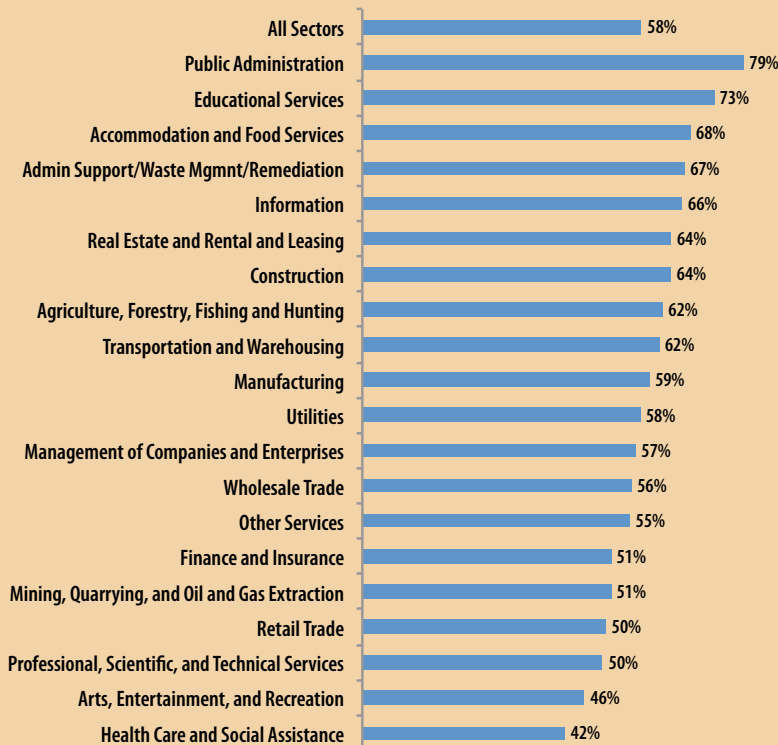
Graph 2: Bachelor's Degree or Higher Wage Premium compared to Wages of Workers with Other Education Levels*, 2006–10 Average



* Workers 25 and older only.

Source: U.S. Census Bureau; Local Employment Dynamics program.

Graph 3: Degreed Female Average Monthly Wage as a Percentage of Degreed Male Average Monthly Wage*, 2006–10



*Workers 25 and older with a bachelor's degree or higher.

Source: U.S. Census Bureau; Local Employment Dynamics program.

- Women tend to have less experience in the work force, more frequent work interruptions and generally have accumulated less human capital.

Most academic studies can account for only a portion of the male/female wage gap based on demographic factors. Moreover, this gap is a reality that speaks to the ability of women in southwest Utah to support themselves and their families.

The Best and the Worst Industries for Degreed Women

In public administration and educational services (which include both public and private educational institutions), women with bachelor's degrees make 79 and 73 percent of their male colleagues' wages, compared to 38 percent in all industries. In the accommodations/food service industry, women make 68 percent of their counterparts' average wage. These are typically low-wage jobs as well.

The least disparity in wages for college graduates of both genders occurs in the healthcare/social services industry. Here the average woman makes only 42 percent of the average man's wage. This discrepancy undoubtedly reflects the general trend for men to be high-paid doctors and women to be nurses, nurse assistants or clerical workers.

Management of companies and enterprises provides the best wage premium for a woman with a bachelor's degree compared to a woman with a high school education. Here, degreed women make roughly 140 percent more than their high-school educated peers. Education also pays a fairly high wage premium for college-educated women (75 percent) as does healthcare/social assistance (67 percent). While college-educated women made 70 percent



Education Still Pays in Southwestern Utah Cont.

more than their high-school-educated counterparts, men with degrees made 135 percent more than the average high school-educated male. Again, this probably reflects the high preponderance of men among the highly-compensated physician occupations.

Women with degrees who want to see a huge difference between their wage and the average wage of a woman with a high school education shouldn't work in agriculture, accommodations/food services, manufacturing or real estate. These industries will give them the smallest bang for their education buck.

Education pays in southwest Utah regardless of industry. Goods-producing industries such as mining, manufacturing and construction offer non-educated workers the greatest chance for wage parity with their better-educated counterparts. While women generally earn less than men, the public sector and education seem to offer women the best chance for comparable wages. ■

Women will find comparable wages to men in the public sector and in education.

The Economy in Southwestern Utah—How is it Really Doing?

BY LECIA PARKS LANGSTON, ECONOMIST

Three of five counties in southwest Utah ended 2011 with year-to-year job growth—a signal that this corner of Utah has moved from economic recovery to economic expansion. Washington County seems to have shaken off the chains of economic duress with particularly strong employment growth at year-end. While Kane and Iron counties' job-creation proved somewhat slower, both managed expansion through most of 2011. Beaver and Garfield counties both showed a year-to-year job loss in December. However, completion of construction projects (which previously inflated jobs) played a major role in both employment contractions.

Unemployment rates in all counties show a significant, long-term, downward trend. The three job-growing counties also exhibited at least three consecutive quarters of sales gains. What's the one economic indicator that has not shown signs of expansion? You guessed it: homebuilding has yet to totally rebound in any southwestern Utah county.

Beaver County

Economic indicators for Beaver County seem to suggest the economy is struggling more than is actually the case. Inflated employment and gross taxable sales numbers in 2010 make 2011 comparisons appear downright dismal. However, when these one-time gains are removed, jobs are growing, unemployment is declining, sales are stable and overall construction is improving.

Wind farm construction has taken Beaver County's employment numbers on a wild roller coaster ride. In both 2009 and early 2011, Beaver County's nonfarm job totals

showed year-over gains of roughly 10 percent. Of course, once construction was completed, the connected losses ensued. That is where Beaver County ended 2011. Between December 2010 and December 2011, the county's nonfarm jobs were down by 2 percent (about 50 jobs). This year-to-year decline will likely continue for much of 2012. However, Beaver County's core employment looks much better. Without the construction losses, the county would have generated overall gains. Government proved the only other industry with significant year-end declines. The brightest employment spots in Beaver's industry line-up are the return jobs to mining, retail trade and transportation.

Beaver County's unemployment rate has been trending downward since it reached its peak in early 2010 at 10 percent. As of March 2012, Beaver County's jobless rate measured 5.9 percent—just slightly higher than the statewide average of 5.8 percent. Moreover, the county's initial claims for unemployment insurance dropped dramatically in early 2012.

Like most Utah counties, Beaver's home permits have yet to show improvement. In 2011, residential permits dropped by 44 percent, the fifth straight year of declines. Fortunately, nonresidential permitting (in the form of a public project) saved the day. Overall, permit values more than doubled in 2011—the first gain since 2008. A year-to-year comparison of sales figures may suggest economic softness. However, don't be deceived. In the fourth quarter of 2010, a huge business expenditure pushed sales up by 60 percent. In other words, the current decline is only a decline because it is compared with last year's anomalous gain.

Garfield County

A 10-percent drop in Garfield County's jobs between December 2010 and December 2011 doesn't seem to portend great things for this economy. However, since the beginning of 2012, the county's jobless rates as well as initial claims for Unemployment Insurance have dropped dramatically. That suggests the labor market has recently improved. Also, improving sales and construction figures

indicate the economy may be stronger than December's employment figures imply.

Garfield County employment patterns proved the yin to Beaver's County's yang. When Beaver County's employment skyrocketed, Garfield County's plummeted. When Garfield County's employment was on the upswing, Beaver's dropped. However, both ended 2011 in negative territory. Garfield generated the worst job performance in the region—a year-over decline of 9 percent and 180 jobs. Indeed, after uncommonly stellar job gains in 2010, the county struggled in 2011. Nevertheless, annual employment totals for 2011 remain noticeably higher than those of the recessionary time period.

Who is the culprit behind the current job loss? It's partially related to declining construction employment. However, the largest job loser was leisure/hospitality services, the county's largest industry. Plus, job declines in healthcare/social services and information contributed to the overall contraction. Retail trade added the only notable number of new jobs.

These job losses triggered Garfield County's unemployment rate to shoot higher in 2011 than at the height of the recession. At mid-year, the unemployment rate stood at 12 percent. Garfield County's jobless rate is perennially high because of the seasonal nature of its tourist-related employment. When a large portion of the labor experiences a yearly bout of unemployment annual unemployment rates tend to be higher than in less seasonal economies. In March 2012, the county's jobless rate dropped to 9.8 percent. Obviously that remains higher than desirable, but it is certainly headed in the right direction. Initial claims for Unemployment Insurance also suggest that the labor market has improved during the first part of 2012. So far, initial claims are at their lowest level in four years.

Gross taxable sales also point to an economy that is gaining a firmer foothold. In the past two years, only two quarters showed year-to-year declines. In the fourth quarter of 2011, sales were up 3 percent from the previous year. Despite waning

Southwest TOP JOBS in Demand



1. Healthcare Practitioners and Technical Workers, All Other
2. Truck Drivers, Heavy and Tractor-Trailer
3. Customer Service Representatives
4. Retail Salespersons
5. Cashiers
6. Tellers
7. Registered Nurses
8. Maids and Housekeeping Cleaners
9. Medical Assistants
10. Hotel, Motel, and Resort Desk Clerks

The Economy in Southwestern Utah—How is it Really Doing? Cont.

residential building (common to most Utah counties), Garfield County's overall construction values increased by 13 percent in 2011 thanks to improved nonresidential permitting.

Iron County

Hit with the double whammy of the collapse of the housing market and the contraction in manufacturing, Iron County experienced difficulty in pulling itself out of the economic downturn. Once it started showing job growth, the county struggled to maintain it. During most of 2011, job growth was minimal at best. However, most industries are now expanding, unemployment rates are declining and initial claims for Unemployment Insurance are the lowest since the recession ended. With sales up, most indicators are pointed towards an improved 2012. The lone economic dissenter? Construction permitting has yet to show signs of life.

After finally eking out some job expansion, Iron County has yet to obtain a strong labor market footing. Between December 2010 and December 2011, the county's employment grew by less than 1 percent or roughly 130 new jobs. Not a great performance, but any job growth is better than the alternative. Also, most Iron County industries are adding jobs. The industry tide seems to have shifted towards expansion. Manufacturing, wholesale trade, leisure/hospitality services and the public sector all made notable employment additions.

Unfortunately, in December construction losses continued to nibble away at overall employment gains. Professional/business services also showed a marked decline. It is not uncommon for this particular industry—which includes temporary employment services—to show an initial surge of employment early in the recovery phase. Employers start adding jobs but aren't willing to make a permanent commitment. As the recovery advances, employers start hiring permanent workers and the number of temporary jobs declines. Here, as elsewhere, unemployment rates have edged downward. From the county's peak

recessionary jobless rate of nearly 10 percent in early 2010, the unemployment rate has dropped to 7.3 percent as of March 2012. Of course, the county still has a way to go before its rate equals the Utah average of 5.8 percent. Initial claims for Unemployment Insurance have dropped significantly so far in 2012, another sign that the labor market is healing.

While gross taxable sales didn't have a perfect record of growth in 2011, three out of four quarters exhibited expansion. Moreover, Iron County's fourth quarter rate of sales increase measured a robust 10 percent compared to the same quarter in 2010. New car/truck sales show a similar positive pattern. On the negative side, Iron County's home permits dropped by almost half in 2011. The last time the county showed a gain in residential permitting was clear back in 2005. Plus, while many neighboring counties benefited from increased nonresidential building, Iron County did not.

Kane County

Despite entering the recovery early in 2010, Kane County has struggled to maintain its economic balance. Job growth comes and goes, but recent figures suggest the county's labor market should be on less tenuous footing in 2012. The county ended 2011 with job growth, its unemployment rate is finally receding and sales are improving. However, as in most Utah counties, construction has not recovered.

Kane County's year-to-year change in nonfarm jobs is not particularly easy to trend. As is the case with many less-populated counties, job numbers can land all over the map. However, in general, Kane County has followed the state and national trends—except that it started growing jobs earlier than either Utah or the United States. Unfortunately, the county has seen a few setbacks in the job arena during 2010 and 2011 and has struggled to stay in positive territory. The county did manage to carve out marginal job growth in 2011. In fact, some of the best job performance months occurred at year-end. Between December

2010 and 2011, the county added 40 new jobs for a year-over growth rate of 1.4 percent—almost neck and neck with the national average.

Most industries did add jobs in 2011. Leisure/hospitality services, private education/healthcare/social services, financial activities, and professional/business services showed notable job additions. Two industries created the primary drag on Kane County's labor market; both construction and retail trade registered significant job hits.

Interestingly, Kane County has taken a longer route to decreased unemployment than most other counties in Utah. Joblessness peaked just above 8 percent in early 2010 but was still hugging the 8-percent mark in July 2011. In recent months, unemployment has dropped more swiftly. Kane County's March 2012 rate clocked in at 6.9 percent. Initial claims for unemployment insurance continue to track at almost recessionary levels, which is more a reflection of the seasonal nature of the county's employment than of any momentous problem in the labor market. For example, the vast majority of new claims in 2012 occurred in the leisure/hospitality industry.

The county's sales record shows economic improvement. The county has revealed expansion in the last three consecutive quarters. Between the fourth quarters of 2010 and 2011, gross sales grew by a healthy 7 percent. However, construction permitting continued to plunge in 2011. Residential permits dropped by almost half, marking the fifth straight year of shrinking construction activity. While a major nonresidential project buoyed figures in 2010, no significant nonresidential permitting occurred in 2011.

Washington County

With its heavy speculation in the housing market, Washington County was one of the hardest hit areas in Utah as the recession came to take its market-driven due. In fact, while most areas exhibited fewer and fewer job losses, Washington County hung out in its own little jobless recovery

for most of 2009. Despite joining the job-expansion party late, it appears to be back with a vengeance. Jobs are growing, unemployment is decreasing, the housing market appears poised for expansion, and sales are up.

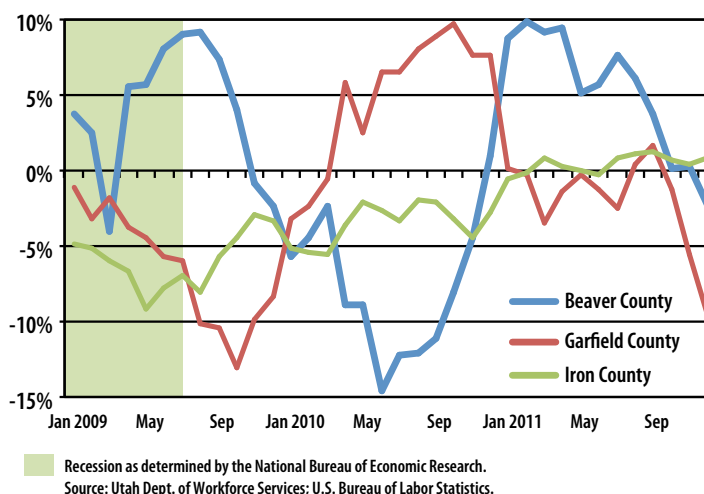
Between December 2010 and December 2011, Washington County added almost 1,800 new jobs for a gain of nearly 4 percent. Job growth started at the beginning of 2011 and just kept on going. Currently, Washington County is creating jobs at a higher rate than Utah and more than double the rate of the United States. All industries showed year-to-year employment gains in December, even construction. Leisure/hospitality services demonstrated the largest improvement.

Manufacturing, retail trade and transportation all added at least 200 new jobs. The completion of a new shopping center and the announcement of a new Family Dollar distribution center suggest that job growth will continue through 2012.

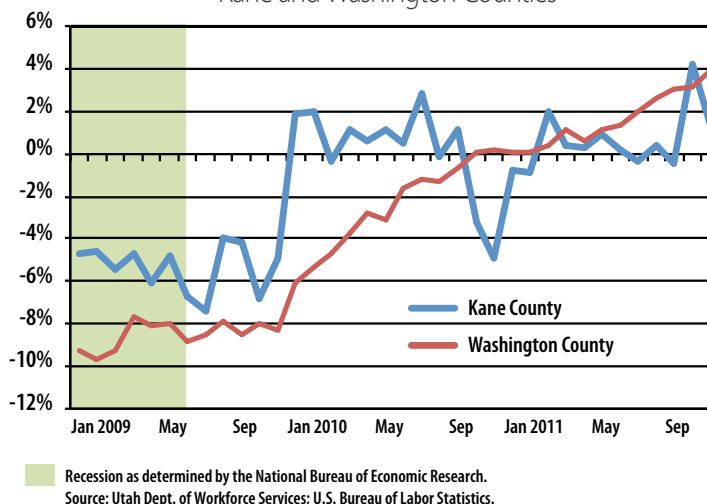
The county's unemployment rate has trended steadily downward since it peaked at 10.4 percent at the end of 2009. In March, the county's jobless rate registered 7.6 percent, below the national average of 8.2 percent. That's still high in the labor market world, but rates should continue to decrease throughout the next year. The current drop in initial claims for unemployment insurance certainly seems to point towards that outcome. Initial claims are at their lowest seasonal level since the recession began.

During every quarter in 2011, Washington County gross taxable sales improved. The best performance occurred at year-end with a 10 percent year-to-year increase. Moreover, the housing market appears to be improving. Foreclosures are down, sales and prices are up and the county registered only a minor 3 percent decline in home permits during 2011—"decimal dust" in the volatile construction field. Nonresidential permitting also improved during the year pushing total approved construction values up by 6 percent.

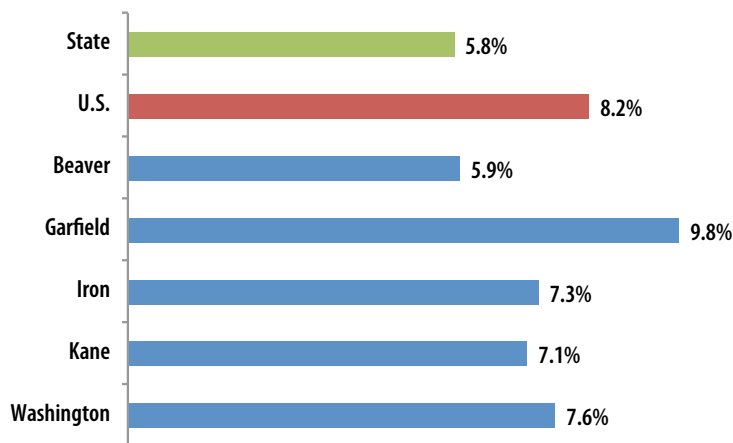
Graph 6: Year-Over Change in Nonfarm Jobs
Beaver, Garfield, and Iron Counties



Graph 7: Year-Over Change in Nonfarm Jobs
Kane and Washington Counties



Graph 8: Seasonally Adjusted Unemployment Rates, March 2012



Source: Utah Dept. of Workforce Services



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Economic Analysis

Studies have shown that the world economy has been going through extraordinary changes in its organization, structure, integration and interdependency. Accelerating technological change has increased the intensity of business competition and economic development, forcing continual adjustments to a changing environment. Economies benefit from this technological change only when local chambers of commerce, government, businesses and others involved in economic development are able to accurately assess relevant economic factors to develop policies geared at boosting local economies in accordance with said technological advancements. With the power of economic information, policies are designed to maintain and help the local economy to grow, be more competitive in earnings and provide better job opportunities to give residents and employees a valuable tie to their community or business.

To gain a better understanding of an area and its economy, it is important to recognize current local and regional trends and conditions. Knowledge of the local economy typically comes from some sort of analysis. This kind of insight is part of the necessary preparation for an area to create an effective strategy in the decision-making process. Understanding what is happening in the area and why it is happening allows local chambers, government and businesses to make better choices. Every region in Utah has its own unique strengths and challenges and is typically different from any of the surrounding areas. Each area or business needs certain tools to answer necessary questions that will enable it to influence its job and income situation.

Workforce Research and Analysis (WRA), a division of the Utah Department of Workforce Services, understands the need for decision makers to have as much information as possible to improve the welfare of the resident population and promote opportunity. In an effort to strengthen the understanding of local economic areas, WRA uses the knowledge and experience of the department staff's economists. Years of education and experience working with labor statistics and local economic data give these economists the expertise to answer complex questions. WRA gathers data that include employment and payroll information through surveys and employer reporting, allowing the economists to shed light on how each area's economy is functioning. They are able to determine the strengths, weaknesses, trends and overall shape of the local economy and work to apply those ideas into indications about the future economy.

WRA produced this new quarterly publication focused on local economic analysis to provide relevant information for decision-making in the areas of regional planning, local economic development and policy design. Issues are available about the statewide economy and eight different sub-state areas: Bear River, Castle Country/Southeast, Central Utah, Mountainland, Southwest, Wasatch Front North, Wasatch Front South, and Uintah Basin. The statewide version will focus on items affecting the entire state of Utah, including job-training strategies, re-employment and labor exchange activities. All will provide the reader with an in-depth look at the economy. Each issue will also inform the reader of notable DWS policy changes and focus, explaining why it affects each area.

We hope you enjoy your experience with this publication.